

## **RULES OF PROCEDURE**

### **GENERAL OBJECTIVES**

- Art. 1 In carrying out its duties and responsibilities, the Committee has adopted the following general objectives to guide its operations:
- a. To promote the continued development of auditing, accounting and financial reporting procedures in order to provide support to the Executive Committee, the Inter-American Board of Agriculture, as well as the Director General and other officials and employees of the General Directorate, and thus facilitate the discharge of their duties and responsibilities.
  - b. To address to the Inter-American Board of Agriculture, the Executive Committee, the Director General and other officials of IICA, reports and recommendations growing out of the audit work that will contribute to achieving greater efficiency, effectiveness and economy in the conduct of the Institute's affairs.
  - c. To ensure the conduct of all external and internal audit operations in such a way that the Committee meets the responsibilities assigned to it by the Inter-American Board of Agriculture and the Executive Committee while keeping to a minimum the operating costs and the demands it makes on the time and effort of the officials and employees of IICA.
  - d. To ensure the performance of the audit function in accordance with generally accepted auditing standards, the Rules of Procedure of the General Directorate, IICA's Financial Rules, and other regulations in force assuring the conduct of all labors by technically and professionally qualified auditors.

### **INTERNAL ORGANIZATION OF THE AUDIT REVIEW COMMITTEE**

- Art. 2 The Committee shall have its headquarters in the headquarters city of IICA.
- Art. 3 The Committee shall elect a Chairman from among its members.
- Art. 4 The Chairman of the Committee shall remain in office for the entire term of his/her appointment; however, if he/she resigns from his/her official position with the member country and is replaced, the Committee shall elect a new Chairman, whose term of office shall be the same as that for which he/she was appointed.
- Art. 5 The Chairman shall cease to hold office;
- a. Through resignation from the chairmanship, accepted by the other members;
  - b. Through resignation of his/her membership on the Audit Review Committee, accepted by the Executive Committee; or,
  - c. Through resignation or other termination of his/her official position in his/her country.

- Art. 6 The Chairman has the following duties:
- a. To convoke the meetings of the Committee;
  - b. To preside over the meetings; and,
  - c. To carry out the decisions of the Committee and to sign all correspondence. However, all audit reports shall be signed by the three members of the Committee.
- Art. 7 The meetings of the Committee shall normally be held at headquarters, in office space and with the resources provided by IICA, for the most efficient performance of its work. At the call of the Chairman, however, the Committee may meet at other locations. Meetings shall be called by the Chairman who shall communicate the calling to the Directorate of Finance in sufficient time for forwarding travel fares and expenses. Actions of the Committee will be taken by a majority of votes. When the Committee is in recess it may, however, take decisions and reach agreements by means of correspondence among its members and where there is an agreement of two of them through correspondence received by the Chairman, he/she shall communicate those decisions as an agreement of the Committee to any appropriate person. In the next subsequent meeting, decisions made by correspondence shall be included in the minutes of the first session.
- Art. 8 When the Committee is in recess, its files may be placed in the custody of the Director of the Office of Administrative and Financial Audit, who shall be entrusted to keep them secure and free from access by persons not authorized by the Committee. Members of the Committee may maintain in their countries files and documents related to their Committee work. They shall take appropriate steps to keep them secure and free from access by unauthorized persons.

#### **AUDIT RESPONSIBILITY**

- Art. 9 The Committee is responsible for reviewing the external and internal auditing (including administrative, financial, and technical) of the following funds of IICA, as well as any others subsequently created by the Executive Committee or Inter-American Board of Agriculture:
- Regular Funds
  - Special Funds
  - Trust/Revolving Funds
  - Fixed Asset Fund
- Art. 10 In the conduct of its duties, the Committee will comply with the mandates contained in the Resolution IICA/JIA/Res. 231 (VII-0/93), including Attachment I--Statute of the Audit Review Committee, Attachment II--Amendments to the Institute's Rules of Procedure, and Attachment III--Amendments to the Rules of Procedure of the General Directorate.
- Art. 11 The Committee will also comply with IICA Financial Rules and any other applicable provisions that may be issued in the future by the Executive Committee or the Inter-American Board of Agriculture.
- Art. 12 The Committee will take whatever measures it considers necessary to ensure that all external and internal audit work is performed by technically and professionally qualified auditors whether they be auditors or firms of auditors contracted as such or audit staff members of their respective audit Organizations.
- Art. 13 In accordance with Articles 94 through 106 of the Rules of Procedure for the General Directorate, the accounts, financial transactions, and financial statements of the funds of IICA for which the Committee has audit responsibility shall be audited annually by External Auditors and a report on such audit submitted to the Audit Review Committee, the Executive Committee and the Inter-American Board of Agriculture.

Art. 14 The annual audit shall be made in accordance with generally accepted auditing standards and the external auditing requirements prescribed in Chapter VII of the Rules of Procedure for the General Directorate.

Art. 15 The audit shall specifically include all necessary audit procedures to enable the Committee, as required by Section 1.2 of the Audit Review Committee Statute, to report to the Executive Committee and the Inter-American Board of Agriculture on (1) the overall adequacy of the External Auditors' examination and report and (2) any matters which, in the judgement of the Audit Review Committee, may constitute a violation of the rules and procedures governing the operations of the General Directorate.

#### Audit of Financial Statements and Supporting Records

Art. 16 The Committee will satisfy itself that the External Auditors have conducted their work in accordance with generally accepted auditing standards, the Rules of Procedure for the General Directorate, and the Financial Rules of IICA by obtaining sufficient supporting evidence through the examination of accounting records and supporting corroborative material, general observation, inquiry, confirmations and application of other professional auditing techniques.

This examination will include but will not necessarily be limited to:

- a. Verification of the financial statements to the organization's main accounts, supplemented by analyses and tests of the latter subsidiary ledgers, supporting records, vouchers, contracts, purchase orders and other original documents.
- b. Ascertaining whether expenditures are in accordance with budgetary provisions, and whether appropriate regulations and directives have been observed.
- c. Verification of securities and cash recorded in the organization's books as being on deposit by certificates received directly from the depositories and appropriate reconciliations.

#### Relationship to the Internal Audit Offices

Art. 17 The Committee will keep itself fully informed of the work of the internal audit offices and fully consider the nature, extent, and effectiveness of internal audit work in determining the scope of its work. Internal audit offices include both the Office of Administrative and Financial Audit and the technical audit function included in the Directorate of Planning, Programming, Projects, and Technical Audit.

Art. 18 In its relations with the internal audit offices, the Committee will assess the effectiveness, efficiency, usefulness, and professional standards of the internal audit work and make suggestions or recommendations for improvements in performance or scope of audit work. It may also make recommendations for the internal examination of special problems or questions that come to the Committee's attention.

Art. 19 The Committee will receive and review drafts of each annual plan prepared by the internal audit offices before it is finalized. The Committee will provide opinions, comments, and suggestions to the internal audit offices concerning changes to the plans.

Art. 20 The Committee will have access to all reports issued by the internal audit offices.

Access to Records

Art. 21 Article 99 of the Rules of Procedure for the General Directorate provides:

"The Audit Review Committee and the external auditors shall have access at all times to any books, records, documents, and vouchers that they feel are necessary for the performance of their functions."

Art. 22 If the Committee or its representatives are refused access to records deemed necessary for the performance of its functions, and the matter cannot be resolved in any other way, the problem shall be immediately communicated to the Director General and the Executive Committee, and as necessary to the Inter-American Board of Agriculture for resolution.

**SERVICES OF INDEPENDENT AUDITORS**

Art. 23 Section 1.1 of the Statute of the Audit Review Committee provides that the purpose of the Committee is "to coordinate the examination of the accounts of the General Directorate by the Member States." Article 106 of the Rules of Procedure of the General Directorate requires the Committee to "review the work of the external auditors and all other aspects of the Institute's external auditing system \* \* \*." In order to fulfill these requirements, the Committee will advise the Inter-American Board of Agriculture on the selection of external auditors and will monitor the planning and conduct of external audits. The Committee will report on the external audit work for the annual financial statement audits and any other audits, studies, or evaluations which the Committee determines to be necessary.

Art. 24 It is the policy of the Committee to assure the Inter-American Board of Agriculture, the Executive Committee, and IICA that all audit work, regardless of who performs it, shall be done by technically and professionally qualified auditors. In its advice on the selection of external auditors the committee will take into consideration their technical capability, qualifications of personnel, reputation, and their consistent observance of generally accepted auditing standards in work performed for other clients.

Art. 25 "Technically and professionally qualified auditors" for performing any auditing activities under these rules, include auditors who:

- (1) meet the legal, professional and/or educational qualifications required in their country of residence;
- (2) have acquired a satisfactory degree of practical experience in conducting audits according to generally accepted auditing standards as is commensurate with the degree of responsibility to be assumed in the course of the audit work scheduled to be performed; and,
- (3) have demonstrated technical and professional competence in the performance of prior audits conducted for their firm, office or clients.

Art. 26 The Committee shall seek to ensure that clear and precise terms of reference are established for the conduct of the work (including the contents of these rules of procedure and of the resolutions on external auditing contained in Articles 94 through 105 of the Rules of Procedure of the General Directorate.) This material shall be set forth in the engagement letter.

Art. 27 The Committee will obtain information concerning the work and conclusions of the external auditors through verbal presentations and written reports. The Committee will incorporate the External Auditors report in its annual report to the Executive Committee or in such special reports as may be appropriate.

**AUDIT REPORTS**

Art. 28 The Committee will submit its annual report on its activities to the Executive Committee each fiscal year.

Art. 29 The annual report will contain:

- a. A summary of the activities of the Committee during the period covered.
- b. The Committee's opinion on the work and the report by the external auditors for the period covered.
- c. Comments and conclusions on any serious deficiencies or irregularities that the Committee may have found in performing its work (after first informing the Director General about them in order to give him the opportunity to explain or correct them).
- d. Information on any other matters which, in the Committee's judgement, should be brought to the attention of the Executive Committee or The Inter-American Board of Agriculture, among them:

\* Wasteful or improper expenditure of funds, notwithstanding the reasonableness of the accounting. Criteria to be used by the Committee to identify possible wasteful expenditures include, but are not limited to:

1. Expenditures of more than the minimum necessary to achieve an intended purpose, such as accepting, without adequate justification, other than the lowest offer for a particular purpose,
2. Expenditure of funds to satisfy a questionable need,
3. Expenditure of funds for something never received, such as specified contract deliverables, and
4. Expenditure of funds for which no real benefit was realized.

Criteria to be used by the Committee to identify improper expenditures include, but are not limited to:

1. Expenditures which are contrary to regulations and/or procedures,
2. Expenditures which exceed the level of authority of the person authorizing such expenditures, and
3. Expenditures for items not allowed under the terms of a project agreement.

In assessing what, in its opinion, constitutes wasteful or improper expenditures, the Committee will take into consideration the provisions of the agreements under which particular funds are administered by IICA.

\* Cases of fraud or presumptive fraud;

\* Expenditures likely to lead to further outlays on a large scale;

\* Expenditures that are not in accord with the provisions authorizing them, or excessive expenditures;

- \* Expenditures that exceed the amount of appropriations, taking into account the changes resulting from transfers duly authorized in the Inter-American Board of Agriculture resolution approving the budget;
- \* Any deficiency in the general system governing the handling of income and expenditures or of supplies and equipment, and the corresponding administrative services.

- Art. 30 If the Committee, on the basis of its work, has reservations as to the completeness and accuracy or the fairness of the financial statements or the work of the external auditors, it will report these reservations and clearly explain the basis for them.
- Art. 31 The annual report will be signed by each of the three members of the Committee. Any one member shall explain his/her particular viewpoint in the event of a discrepancy in the analysis of the facts on which the Committee must report.
- Art. 32 The Committee shall submit its annual report to the Executive Committee prior to the annual meeting of the Executive Committee.
- Art. 33 At any time the Committee may call to the attention of the Executive Committee, for the purpose of Article 106 of the Rules of Procedure of the General Directorate, any fact that it has observed in the performance of its duties that in its judgement may constitute a violation or non-observance of the rules and procedures governing the operations of the General Directorate.
- Art. 34 The Committee may also submit special reports on other specific subjects to the Executive Committee when the subject matter is judged by the Committee to be important enough to justify such special report.
- Art. 35 All reports of the Committee will be referred in draft form to the Director General for his comments and will be discussed with him or with officials designated by him before placing them in final form for submission to the Executive Committee or to the Inter-American Board of Agriculture. To make the reports as informative and useful as possible, the comments of the Director General will be included when the Committee determines such treatment to be desirable. The Director General would be expected to provide his comments within two weeks of receiving the Committee's draft reports. If comments are not received within the allowed time, the Committee may forward the report to the Executive Committee without comments.
- Art. 36 The members of the Committee shall act in the performance of their duties with complete independence in relation to all the organs, offices, and agencies of the Inter-American Board of Agriculture and the specific requests of the Executive Committee.
- Art. 37 The Committee may request the Executive Committee to establish any provisions that will facilitate its work.

#### **AMENDMENT OF THE RULES OF PROCEDURE**

- Art. 38 These Rules of Procedure may be amended by the Committee, either at its own initiative or at the proposal of the Executive Committee or the Board. Proposed amendments must be approved by a majority vote of the members of the Audit Review Committee.
- Art. 39 Amendments to these Rules of Procedure shall enter into force on a date specified by the Audit Review Committee, or, if no date is so specified, on the date they are approved by the Committee.

#### **INTERPRETATION**

- Art. 40 For purpose of interpretation of these Rules, the language of origin shall govern (English).

